

**REPORT OF THE AUDIT OF THE
HICKMAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2007**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HICKMAN COUNTY FISCAL COURT

June 30, 2007

Romaine & Associates, PLLC has completed the audit of the Hickman County Fiscal Court for fiscal year ended June 30, 2007.

We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Hickman County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$2,790,815 as of June 30, 2007. The fiscal court had unrestricted net assets of \$303,320 in its governmental activities as of June 30, 2007, with total net assets of \$2,777,926 in its governmental activities. In its business-type activities, total net cash and cash equivalents were \$12,889 with total net assets of \$12,889. The fiscal court had total debt principal as of June 30, 2007 of \$3,757,329 with \$148,618 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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Krista Romaine, CPA, Member
Charlotte Clark, Member

Romaine *and* Associates PLLC

William Erwin, CPA
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Greg Pruitt, Hickman County Judge/Executive
Members of the Hickman County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hickman County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Hickman County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Hickman County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hickman County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Greg Pruitt, Hickman County Judge/Executive
Members of the Hickman County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hickman County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2008 on our consideration of Hickman County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Romaine & Associates, PLLC
Romaine & Associates, PLLC
Certified Public Accountants

February 5, 2008

HICKMAN COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Greg Pruitt	County Judge/Executive
Gary Jones	Commissioner
Tommy Roberts	Commissioner
Harold Jackson	Commissioner

Other Elected Officials:

Sue Morris	County Attorney
Chad Frizzell	Jailer
James Berry	County Clerk
John Turner	Sheriff
Anita Mullins	Property Valuation Administrator
Paula Boaz	Coroner

Appointed Personnel:

Carol Malugin	County Treasurer
Nancy Pruitt	Deputy Judge/Executive

HICKMAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

HICKMAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 522,407	\$ 12,889	\$ 535,296
Total Current Assets	522,407	12,889	535,296
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	68,693		68,693
Buildings	4,784,539		4,784,539
Equipment	68,642		68,642
Vehicles	130,271		130,271
Infrastructure Assets - Net of Depreciation	960,703		960,703
Total Noncurrent Assets	6,012,848		6,012,848
Total Assets	6,535,255	12,889	6,548,144
LIABILITIES			
Current Liabilities:			
Bonds Payable	135,000		135,000
Financing Obligations Payable	13,618		13,618
Total Current Liabilities	148,618		148,618
Noncurrent Liabilities:			
Bonds Payable	3,510,000		3,510,000
Financing Obligations Payable	98,711		98,711
Total Noncurrent Liabilities	3,608,711		3,608,711
Total Liabilities	3,757,329		3,757,329
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 2,255,519	\$	\$ 2,255,519
Restricted For:			
Debt Service	219,087		219,087
Unrestricted	303,320	12,889	316,209
Total Net Assets	\$ 2,777,926	\$ 12,889	\$ 2,790,815

The accompanying notes are an integral part of the financial statements.

HICKMAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

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HICKMAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (714,650)	\$	\$ (714,650)
(56,111)		(56,111)
(5,982)		(5,982)
(1,554)		(1,554)
(4,960)		(4,960)
286,006		286,006
(72,239)		(72,239)
(569,490)		(569,490)
	488	488
	488	488
(569,490)	488	(569,002)
172,632		172,632
39		39
37,132		37,132
97,253		97,253
46,926		46,926
1,340		1,340
6,819		6,819
107,035		107,035
17,402	102	17,504
486,578	102	486,680
(82,912)	590	(82,322)
2,860,838	12,299	2,873,137
\$ 2,777,926	\$ 12,889	\$ 2,790,815

The accompanying notes are an integral part of the financial statements.

HICKMAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

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HICKMAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2007
(Continued)

Detention Center Sinking Fund	Building Construction Fund	Non- Major Funds	Total Governmental Funds
<u>\$ 94,817</u>	<u>\$ 6,872</u>	<u>\$ 22,280</u>	<u>\$ 522,407</u>
<u>\$ 94,817</u>	<u>\$ 6,872</u>	<u>\$ 22,280</u>	<u>\$ 522,407</u>

\$	\$	\$	\$
	6,872	22,280	37,081
94,817			266,239
			219,087
<u>\$ 94,817</u>	<u>\$ 6,872</u>	<u>\$ 22,280</u>	<u>\$ 522,407</u>

\$ 522,407

8,245,137
(2,232,289)

(148,618)
(3,608,711)

\$ 2,777,926

HICKMAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

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HICKMAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Courthouse Annex Sinking Fund	Detention Center Sinking Fund	Building Construction Fund	Non- Major Funds	Total Governmental Funds
\$	\$	\$	\$	\$ 307,056
				46,926
				1,340
				6,819
121,102		49,396	6,746	1,801,644
				38,073
914			1,556	107,035
55	2,049		556	17,402
<u>122,071</u>	<u>2,049</u>	<u>49,396</u>	<u>8,858</u>	<u>2,326,295</u>
576			5,605	348,827
			8,138	769,114
		42,527		43,892
				1,554
				392,261
121,102	191,520			341,580
				180,541
			2,100	414,720
<u>121,678</u>	<u>191,520</u>	<u>42,527</u>	<u>15,843</u>	<u>2,492,489</u>
<u>393</u>	<u>(189,471)</u>	<u>6,869</u>	<u>(6,985)</u>	<u>(166,194)</u>
	265,774	3	3,948	1,573,289
	(127,451)			(1,573,289)
				10,000
	<u>138,323</u>	<u>3</u>	<u>3,948</u>	<u>10,000</u>
393	(51,148)	6,872	(3,037)	(156,194)
123,877	145,965		25,317	678,601
<u>\$ 124,270</u>	<u>\$ 94,817</u>	<u>\$ 6,872</u>	<u>\$ 22,280</u>	<u>\$ 522,407</u>

The accompanying notes are an integral part of the financial statements.

**HICKMAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2007

**HICKMAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2007

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (156,194)
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	180,541
Depreciation Expense	(245,498)

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Financing Obligations Principal Payments	18,239
Bond Principal Payments	130,000
Financing Obligation Proceeds	<u>(10,000)</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (82,912)</u></u>
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HICKMAN COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

HICKMAN COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2007

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 12,889
Total Current Assets	<u>12,889</u>
 Total Assets	 <u>\$ 12,889</u>
 Net Assets	
Unrestricted	12,889
Total Net Assets	<u><u>\$ 12,889</u></u>

The accompanying notes are an integral part of the financial statements.

HICKMAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

HICKMAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 58,594
Total Operating Revenues	<u>58,594</u>
Operating Expenses	
Canteen Disbursements	58,106
Total Operating Expenses	<u>58,106</u>
Operating Income (Loss)	<u>488</u>
Nonoperating Revenues (Expenses)	
Interest Income	<u>102</u>
Total Nonoperating Revenues (Expenses)	<u>102</u>
Change In Net Assets	590
Total Net Assets - Beginning	12,299
Total Net Assets - Ending	<u>\$ 12,889</u>

The accompanying notes are an integral part of the financial statements.

HICKMAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

HICKMAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 58,594
Cash Payments for Cost of Sales and Other Benefits	(58,106)
Net Cash Provided By Operating Activities	<u>488</u>
Cash Flows From Investing Activities	
Interest Earned	<u>102</u>
Net Cash Provided By Investing Activities	<u>102</u>
Net Increase (Decrease) in Cash and Cash Equivalents	590
Cash and Cash Equivalents - July 1	<u>12,299</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 12,889</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating Income	\$ 488
Net Cash Provided By Operating Activities	<u><u>\$ 488</u></u>

The accompanying notes are an integral part of the financial statements.

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HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Hickman County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Units

The Hickman County Public Properties Corporation has been presented as a blended component unit because the component unit's governing body is substantially the same as the governing body of the County. The Corporation is the issuing body for the public property revenue bonds for the courthouse facilities. The Corporation is also responsible for the Debt Service Sinking Funds for the bond issue.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Kentucky law provides for election of the officials below from the geographic area constituting Hickman County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

Additional Hickman County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Courthouse Annex Sinking Fund - The purpose of this fund is to account for debt service requirements of the Courthouse Annex public property revenue bonds.

Detention Center Sinking Fund - The purpose of this fund is to account for debt service requirements for the Detention Center revenue bonds.

Building Construction Fund - The purpose of this fund is to account for the acquisition of major capital facilities. The primary source of revenue for this fund is state and federal grants, and transfers from the General Fund. The Fiscal Court is required to maintain these funds separate from the General Fund.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Disaster and Emergency Services Fund, and Ambulance Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Disaster and Emergency Services Fund, Building Construction Fund, and Ambulance Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Courthouse Annex Sinking Fund and the Detention Center Sinking Fund are presented as debt service funds. A debt service fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and expenses for the education and recreation of prisoners.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Deposits

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Buildings	\$ 2,500	10-75
Equipment	\$ 2,500	3-10
Vehicles	\$ 2,500	3-15
Infrastructure	\$ 2,500	10-50

F. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund or the Sinking Funds to be budgeted.

I. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Hickman County Fiscal Court: Hickman County Industrial Development Authority and the Columbus Fire District.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2006, the primary government's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. Hickman County Fiscal Court has a deposit policy with both banks that hold their deposits. Clinton Bank has \$500,000 of pledged securities in the County's name. First Community Bank has a Bank Guaranty Bond of \$750,000 in the County's name. As of June 30, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 68,693	\$	\$	\$ 68,693
Total Capital Assets Not Being Depreciated	68,693			68,693
Capital Assets, Being Depreciated:				
Buildings	6,168,877			6,168,877
Equipment	116,156			116,156
Vehicles	738,121	21,400	(10,850)	748,671
Infrastructure	983,599	159,141		1,142,740
Total Capital Assets Being Depreciated	8,006,753	180,541	(10,850)	8,176,444
Less Accumulated Depreciation For:				
Buildings	(1,247,141)	(137,197)		(1,384,338)
Equipment	(35,355)	(12,159)		(47,514)
Vehicles	(599,225)	(30,025)	10,850	(618,400)
Infrastructure	(115,920)	(66,117)		(182,037)
Total Accumulated Depreciation	(1,997,641)	(245,498)	10,850	(2,232,289)
Total Capital Assets, Being Depreciated, Net	6,009,112	(64,957)		5,944,155
Governmental Activities Capital Assets, Net	<u>\$ 6,077,805</u>	<u>\$ (64,957)</u>	<u>\$ 0</u>	<u>\$ 6,012,848</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 50,074
Protection to Persons and Property	78,819
General Health and Sanitation	11,486
Recreation and Culture	4,960
Roads, Including Depreciation of General Infrastructure Assets	<u>100,159</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 245,498</u>

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt

A. Courthouse Facility Bonds Payable

Hickman County Public Properties Corporation entered into a bond issue, Hickman County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds (Courthouse Annex Facilities Project) Series 1999, on July 1, 1999, for the purpose of financing the acquisition and construction of an annex to the courthouse. The issue amount of the bonds was \$1,640,000. The bonds began maturing March 1, 2000. The Kentucky Administrative Office of the Courts (AOC) is responsible for 89% of the cost of the bonds. The Public Properties Corporation is responsible for the remaining balance of the cost. The outstanding principal balance as of June 30, 2007, was \$1,335,000.

Debt service requirements are:

<u>June 30</u>	<u>Interest</u>	<u>Principal</u>
2008	\$ 68,752	\$ 50,000
2009	66,302	55,000
2010	63,606	55,000
2011	60,856	60,000
2012	57,856	60,000
2013-2017	239,500	360,000
2018-2022	135,978	465,000
2023	12,076	230,000
Totals	<u>\$ 704,926</u>	<u>\$ 1,335,000</u>

B. Detention Center Bonds Payable

Hickman County Fiscal Court entered into a bond issue, Hickman County General Obligation Improvement Bonds (Detention Facilities Project) Series 1999, on April 1, 1999, for the purpose of financing the acquisition, construction, and improvement of the Detention Facilities. This bond issue also establishes a debt reserve "to secure the timely payment of said Bonds". The issue amount of the bonds was \$2,820,000. The bonds began maturing October 1, 1999. The outstanding principal balance as of June 30, 2007, was \$2,310,000.

Debt service requirements are:

<u>June 30</u>	<u>Interest</u>	<u>Principal</u>
2008	\$ 107,725	\$ 85,000
2009	103,700	90,000
2010	99,445	95,000
2011	95,075	95,000
2012	90,590	100,000
2013-2017	377,625	575,000
2018-2022	227,450	730,000
2023-2025	41,500	540,000
Totals	<u>\$ 1,143,110</u>	<u>\$ 2,310,000</u>

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

C. Lease Agreement

In April 2005, Hickman County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the purchase of a backhoe and a tractor. Total cost for the equipment was \$97,002. The principal balance is to be paid in ten annual installments in various amounts beginning in July 2005 and ending in July 2015. Interest and fees are paid monthly throughout the life of the lease at 3.56%. The principal balance at June 30, 2007, was \$87,002.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2008	\$ 10,000	\$ 3,394
2009	10,000	2,960
2010	10,000	2,529
2011	10,000	2,096
2012	10,000	1,665
2013-2016	37,002	2,435
Totals	<u>\$ 87,002</u>	<u>\$ 15,079</u>

D. Lease Agreement

On April 1, 1998, Hickman County Fiscal Court entered into a lease purchase agreement with Clinton Bank for the remaining balance left on the installation of the courthouse elevator. Total cost of the installation was \$150,000 of which the Administrative Office of the Courts paid \$100,000. The remaining balance of \$50,000 was to be paid annually in various principal payment amounts by the Hickman County Fiscal Court at an interest rate of 5.75 percent for a period of 15 years. The principal balance as of June 30, 2007, was \$25,327.

Debt service requirements are:

Fiscal Year Ended June 30		
	Principal	Interest & Fees
2008	\$ 3,618	\$ 1,447
2009	3,830	1,235
2010	4,051	1,015
2011	4,284	782
2012	4,528	537
2013	5,016	275
Totals	<u>\$ 25,327</u>	<u>\$ 5,291</u>

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Bonds payable	\$ 3,775,000	\$	\$ 130,000	\$ 3,645,000	\$ 135,000
Lease payable	120,568		8,239	112,329	13,618
Governmental Activities					
Long-term Liabilities	<u>\$ 3,895,568</u>	<u>\$ 0</u>	<u>\$ 138,239</u>	<u>\$ 3,757,329</u>	<u>\$ 148,618</u>

Note 5. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$5,629 in interest on financing obligations and \$182,622 in interest on bonds.

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Insurance

For the fiscal year ended June 30, 2007, Hickman County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

HICKMAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 8. Short-Term Debt

In July 2006, Hickman County voted to participate in the Kentucky Association of Counties Advance Revenue Program (KARP) for the purchase of tax and revenue anticipation notes for the 2006-2007 fiscal year in the General Fund by issuing a note in the amount of \$146,850, with principal and interest being due in January 2007. For the fiscal year, the County earned interest of \$4,892 and paid interest of \$3,888. As of June 30, 2007, all principal and interest amounts associated with the notes had been paid.

In July 2006, Hickman County voted to borrow money from a local bank for Jail supplies. The note was for 12 months with a principal amount of \$10,000. For the fiscal year, the County paid \$254 in interest payments. As of June 30, 2007, all principal and interest amounts associated with the note had been paid.

Changes in Short-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance
Local Bank Loan	\$ -	\$ 10,000	\$ 10,000	\$ -
Kentucky Advances Revenue Program	-	146,850	146,850	-
Governmental Activities Short-term Liabilities	<u>\$ 0</u>	<u>\$ 156,850</u>	<u>\$ 156,850</u>	<u>\$ 0</u>

HICKMAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

HICKMAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2007

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 267,835	\$ 289,803	\$ 307,056	\$ 17,253
In Lieu Tax Payments	34,800	46,926	46,926	
Excess Fees		1,340	1,340	
Licenses and Permits		5,681	6,819	1,138
Intergovernmental Revenue	92,591	107,602	98,971	(8,631)
Miscellaneous	39,149	50,797	37,644	(13,153)
Interest	10,184	11,187	11,764	577
Total Revenues	<u>\$ 444,559</u>	<u>\$ 513,336</u>	<u>\$ 510,520</u>	<u>\$ (2,816)</u>
EXPENDITURES				
General Government	424,148	427,369	342,646	84,723
Protection to Persons and Property			53,374	(53,374)
General Health and Sanitation	1,235	1,420	1,365	55
Social Services	500	1,555	1,554	1
Debt Service	6,801	6,912	8,955	(2,043)
Administration	178,853	243,059	154,596	88,463
Total Expenditures	<u>\$ 611,537</u>	<u>\$ 680,315</u>	<u>\$ 562,490</u>	<u>\$ 117,825</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(166,978)</u>	<u>(166,979)</u>	<u>(51,970)</u>	<u>115,009</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	193,642	193,642	587,964	394,322
Transfers To Other Funds	(84,703)	(84,703)	(574,757)	(490,054)
Total Other Financing Sources (Uses)	<u>\$ 108,939</u>	<u>\$ 108,939</u>	<u>\$ 13,207</u>	<u>\$ (95,732)</u>
Net Changes in Fund Balance	(58,039)	(58,040)	(38,763)	19,277
Fund Balance - Beginning	<u>58,039</u>	<u>58,039</u>	<u>75,844</u>	<u>17,805</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (1)</u>	<u>\$ 37,081</u>	<u>\$ 37,082</u>

HICKMAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,521,538	\$ 1,557,784	\$ 778,426	\$ (779,358)
Miscellaneous	19,991	27,097	23,604	(3,493)
Interest	4,106	4,106	2,290	(1,816)
Total Revenues	<u>\$ 1,545,635</u>	<u>\$ 1,588,987</u>	<u>\$ 804,320</u>	<u>\$ (784,667)</u>
EXPENDITURES				
Roads	\$ 1,335,739	\$ 1,403,587	\$ 392,261	\$ 1,011,326
Debt Service			9,749	(9,749)
Capital Projects			180,541	(180,541)
Administration	269,164	297,946	97,804	200,142
Total Expenditures	<u>\$ 1,604,903</u>	<u>\$ 1,701,533</u>	<u>\$ 680,355</u>	<u>\$ 1,021,178</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(59,268)</u>	<u>(112,546)</u>	<u>123,965</u>	<u>236,511</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			509,530	509,530
Transfers To Other Funds	<u>(193,642)</u>	<u>(193,642)</u>	<u>(703,041)</u>	<u>(509,399)</u>
Total Other Financing Sources (Uses)	<u>(193,642)</u>	<u>(193,642)</u>	<u>(193,511)</u>	<u>131</u>
Net Changes in Fund Balance	(252,910)	(306,188)	(69,546)	236,642
Fund Balance - Beginning	<u>252,910</u>	<u>306,188</u>	<u>306,188</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 236,642</u>	<u>\$ 236,642</u>

HICKMAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 794,295	\$ 808,019	\$ 747,003	\$ (61,016)
Charges for Services	42,589	42,589	38,073	(4,516)
Miscellaneous	46,075	55,657	43,317	(12,340)
Interest	310	630	688	58
Total Revenues	<u>\$ 883,269</u>	<u>\$ 906,895</u>	<u>\$ 829,081</u>	<u>\$ (77,814)</u>
EXPENDITURES				
Protection to Persons and Property	\$ 605,918	\$ 698,369	\$ 707,602	\$ (9,233)
Debt Service			10,254	(10,254)
Administration	359,015	301,600	160,220	141,380
Total Expenditures	<u>\$ 964,933</u>	<u>\$ 999,969</u>	<u>\$ 878,076</u>	<u>\$ 121,893</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(81,664)</u>	<u>(93,074)</u>	<u>(48,995)</u>	<u>44,079</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	81,664	81,664	206,070	124,406
Transfers To Other Funds			(168,040)	(168,040)
Borrowed Money		10,000	10,000	
Total Other Financing Sources (Uses)	<u>81,664</u>	<u>91,664</u>	<u>48,030</u>	<u>(43,634)</u>
Net Changes in Fund Balance		(1,410)	(965)	445
Fund Balance - Beginning		<u>1,410</u>	<u>1,410</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 445</u>	<u>\$ 445</u>

HICKMAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Budget adjustments were made in connection with the audit to correct prior year carryover mistakes and to bring the budget into balance.

**HICKMAN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2007

**HICKMAN COUNTY
COMBINING BALANCE SHEET –
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2007

	LGEA Fund	DES Fund	Ambulance Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1	\$ 10,281	\$ 11,998	\$ 22,280
Total Assets	<u>\$ 1</u>	<u>\$ 10,281</u>	<u>\$ 11,998</u>	<u>\$ 22,280</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 1	\$ 10,281	\$ 11,998	\$ 22,280
Total Fund Balances	<u>\$ 1</u>	<u>\$ 10,281</u>	<u>\$ 11,998</u>	<u>\$ 22,280</u>

HICKMAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

HICKMAN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

	LGEA Fund	DES Fund	Ambulance Fund	Total Non-Major Governmental Funds
REVENUES				
Intergovernmental	\$ 989	\$ 5,757	\$	\$ 6,746
Miscellaneous	15	41	1,500	1,556
Interest	2	252	302	556
Total Revenues	<u>\$ 1,006</u>	<u>\$ 6,050</u>	<u>\$ 1,802</u>	<u>\$ 8,858</u>
EXPENDITURES				
General Government	\$ 2,764	\$	\$ 2,841	\$ 5,605
Protection to Persons and Property	658	7,480		8,138
Administration	421	1,679		2,100
Total Expenditures	<u>\$ 3,843</u>	<u>\$ 9,159</u>	<u>\$ 2,841</u>	<u>\$ 15,843</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,837)</u>	<u>(3,109)</u>	<u>(1,039)</u>	<u>(6,985)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	2,553		1,395	3,948
Total Other Financing Sources (Uses)	<u>2,553</u>		<u>1,395</u>	<u>3,948</u>
Net Change in Fund Balances	(284)	(3,109)	356	(3,037)
Fund Balances - Beginning	285	13,390	11,642	25,317
Fund Balances - Ending	<u>\$ 1</u>	<u>\$ 10,281</u>	<u>\$ 11,998</u>	<u>\$ 22,280</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Greg Pruitt, Hickman County Judge/Executive
Members of the Hickman County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hickman County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 5, 2008. Hickman County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hickman County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hickman County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hickman County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Hickman County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Romaine & Associates, PLLC
Certified Public Accountants

February 5, 2008

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

HICKMAN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2007**

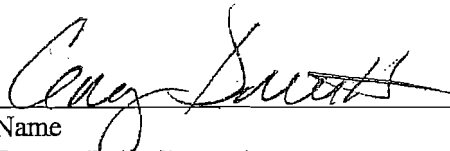
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

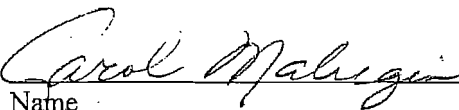
HICKMAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

The Hickman County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer